BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2005-145-C - ORDER NO. 2005-313

JUNE 6, 2005

IN RE:	Application of Farmers Telephone)	ORDER
	Cooperative for Approval to Establish a)	
	Depreciation Rate of Five Years for the)	
	Hardware Associated with Softswitch Central)	
	Office, Switching Equipment.)	

This matter comes before the Public Service Commission of South Carolina (the Commission) on the request of Farmers Telephone Cooperative (Farmers or the Coop.) to establish a depreciation rate of five years for the hardware associated with softswitch central office, switching equipment.

Farmers states that the contract amount for the softswitch is \$1.5 million. The hardware portion of the switch is 30 percent of the total switch cost in the amount of \$375,000. Farmers currently has five-year depreciation rates on central office software and it requests to apply five year rates on a total of \$375,000 of hardware cost. The Coop. proffered a letter from its switch vendor that separates hardware and software costs on a percentage basis. Farmers also proffered a research document and recommendation from the Coop.'s consultant engineer supporting the Coop.'s requested rate of depreciation for softswitch technology.

The Office of Regulatory Staff (ORS) filed a letter stating it has no objection to Commission approval of the five year depreciation rate for hardware associated with softswitch technology as proposed by Farmers. ORS does request that, given the lack of

historical data associated with this emerging technology, that Farmers maintain separate

Plant Accounts for both soft switch hardware and software. According to ORS, this will

allow ORS to begin building some historical data to reference in the future as the use of

Soft Switching Technology becomes more prevalent.

We have examined this matter and approve Farmers' request. A five year

depreciation rate may be applied to \$375,000 in hardware cost as a part of the softswitch

central office, switching equipment. However, we also grant the ORS request and order

Farmers to maintain separate Plant Accounts for both soft switch hardware and software,

so that ORS can begin building some historical data to reference in the future.

We also hold that approval of the depreciation rate is not binding for ratemaking

treatment, and the matter may be considered again in a future rate case.

This Order shall remain in full force and effect until further Order of the

Commission.

BY ORDER OF THE COMMISSION:

	/s/	
	Randy Mitchell, Chairman	
ATTEST:		

G. O'Neal Hamilton, Vice-Chairman

(SEAL)